



## Board Report

File #: 2017-0226, Version: 3

**REGULAR BOARD MEETING  
MAY 25, 2017**

**SUBJECT:                    RESPONSE TO MOTION - DRAFT MEASURE M LOCAL RETURN  
GUIDELINES**

**ACTION:                  RECEIVE AND FILE**

### **RECOMMENDATION**

RECEIVE AND FILE the **status report on Measure M Local Return allocation alternatives**.

### **ISSUE**

At the March 2017 Board meeting, Motion to Item #8, Directors Garcia, Hahn, and Garcetti was adopted to direct the CEO to:

- A. Evaluate additional Local Return allocations to assist small cities
  - 1. Setting a floor
  - 2. Daytime and nighttime population
  - 3. Employment population
  - 4. Proportion of Measure M sales tax generated
- B. Identify other eligible funding sources that can supplement the Measure M Local Return subfund
- C. Evaluate the reliability and validity of data sources considered
- D. Report back on the Local Return distribution for public review in May, and
- E. Incorporate feedback from the Measure M Policy Advisory Council.

The full text of the motion is included in Attachment A.

### **DISCUSSION**

Below is in response to the Motion.

#### **A.     Evaluate additional Local Return allocations**

Local Return funds from Proposition A, Proposition C, and Measure R are allocated on the basis of residential population, using annual estimates from the State Department of Finance. Similarly, the Measure M Ordinance states that Local Return funds are to be returned to the cities within Los Angeles and Los Angeles County “based on population.” However, population is not defined in the Measure M Ordinance.

County Counsel has determined that a population-related allocation is required to comply with the terms of the Measure M Ordinance, ruling out alternative measures such as lane miles. However, variables that more accurately reflect the wear and tear on jurisdictions’ local infrastructure caused by surges in daytime population or through traffic may be considered if the association/correlation to population, as required by Ordinance, can be substantiated. Alternative allocation variables used in the scenarios described herein include daytime population, employment, and sales tax generated. The reliability and frequency of the data sources for these alternative allocation variables varies:

- Residential population and sales tax base allocation variables are the most reliable as they are annually updated by the State of California.
- Employment at the jurisdictional level is based, in part, on modeled data from SCAG and is only updated every two years.
- Daytime population is based on U.S. Census data through the American Community Survey and is updated every five years.

These four allocation variables - residential population, daytime population, employment, sales tax base - have been used together with the concept of a minimum allocation (“floor”) to develop twenty (20) different allocation scenarios for consideration.

**These scenarios are described in detail in Attachment B, and the results of the allocation methodologies are shown in Attachment C.**

## **B. Identify other eligible funding sources to supplement Measure M Local Return**

Just recently, Senate Bill 1 (SB-1), “The Road Recovery and Accountability Act of 2017” was signed into law. Preliminary estimates indicate that SB-1 transportation funding package will add an estimated \$263 million annually to Los Angeles County for local streets and roads.

With the addition of SB-1, over \$1.2 billion from various funding sources are allocated to cities for local transportation projects. In FY18, Metro allocates an estimated \$633 million in Local Return funds from Proposition A, Proposition C, Measure R, Measure M, TDA Article 3 and 8 to the 88 jurisdictions and LA County. Federal STP-L and State Highway funds, not allocated through Metro, provides for another \$389 million in available funding. Attachment D details estimated annual allocations of these funding sources to local jurisdictions.

In addition to these funds, alternatives are available to assist smaller cities in their need to advance transit projects. These include borrowing and financing mechanisms and Measure M Multiyear Subregional funds. Attachment E provides details of these alternatives.

## **C. Evaluate the reliability and validity of data sources considered**

An evaluation of the data sources are described in item A and are included in Attachment B with each of the scenarios presented.

#### **D/E. Report back in May and Incorporate feedback from the Measure M Policy Advisory Committee**

The Policy Advisory Committee (PAC) held a meeting on May 2<sup>nd</sup> and conducted break-out sessions to discuss various key issues. The Local Return break-out group concluded and reported to the PAC, that they were not in support of minimum allocations. The PAC will provide their comments and feedback to the Board on the Local Return allocation as a separate item.

#### **FINANCIAL IMPACT**

There is no financial impact to MTA of one local return allocation formula versus another. The formula, when selected, will be incorporated into the annual Transit Fund Allocation process.

#### **NEXT STEPS**

Staff will continue to receive comments on alternative allocation methodologies for Measure M Local Return, and report this to the Board in June.

#### **ATTACHMENTS**

- A. Item 8: Motion on Draft Measure M Guidelines (March 2017 Regular Board Meeting)
- B. Summary of Alternative Allocation Formulas
- C. Alternative Allocation Formulas
- D. Funding Available for Local Transportation Projects
- E. Alternative Funding Mechanisms

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